

**Introduced by Senator Negrete McLeod
(Principal coauthor: Senator Cogdill)**

February 21, 2007

An act to add Section 24342 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 420, as introduced, Negrete McLeod. Corporation taxes: deduction: workers' compensation group.

The Corporation Tax Law allows various deductions in computing income that is subject to the taxes imposed by that law, including a deduction for the ordinary and necessary expenses paid or incurred in carrying on a trade or business.

This bill would authorize a workers' compensation self-insured group to elect to take a deduction for all of a contribution or assessment accrued or received during the taxable year for purposes of payment on subsequent years of its members' workers' compensation liabilities or contributions as required under specified laws, as provided.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 24342 is added to the Revenue and
- 2 Taxation Code, to read:
- 3 24342. (a) Notwithstanding Section 24681, a workers'
- 4 compensation self-insured group may elect to take a deduction for
- 5 all of a contribution or assessment accrued or received during the

1 taxable year for purposes of payment in subsequent years of its
2 members' workers' compensation liabilities or contributions
3 required under Division 4 (commencing with Section 3200) of the
4 Labor Code and any regulations promulgated thereunder, including
5 loss adjustment expenses, for liability incurred in the current or
6 any prior coverage year of the workers' compensation self-insured
7 group.

8 (b) An election under subdivision (a) shall be irrevocable for
9 the taxable year claimed and all future years.

10 (c) An election to take a deduction under this section shall be
11 in lieu of any deduction under this part for both of the following:

12 (1) Losses and expenses that are paid from funds subject to the
13 deduction provided in subdivision (a).

14 (2) Reimbursements to the workers' compensation self-insured
15 group's members of excess contributions or assessments accrued
16 or received while the election is in effect.

17 (d) Notwithstanding subdivision (b), upon request of the
18 workers' compensation self-insured group and a showing of good
19 cause, a revision to the irrevocable nature of this election may be
20 allowed by the Franchise Tax Board if the Director of the
21 Department of Industrial Relations or his or her designee
22 determines the revision is in the best interest of the workers'
23 compensation self-insured group and likely will not interfere with
24 the ability of the group to timely and accurately fund workers'
25 compensation benefits for injured workers covered under the
26 self-insured group.

27 (e) For purposes of this section, "workers' compensation
28 self-insured group" means a private, nonprofit corporation
29 established pursuant to subdivision (b) of Section 3700 of the
30 Labor Code and described in Section 15201 of Title 8 of the
31 California Code of Regulations.

32 SEC. 2. This act provides for a tax levy within the meaning of
33 Article IV of the Constitution and shall go into immediate effect.